

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

March 13, 2009

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

KAUAI

Consent to Assign General Lease Nos. S-3831, S-3840, S-4647,
Anekona Aloha Ownership LLC, Assignor, to Aloha Beach Resort
- Nomura CDO, LLC, Assignee, and Estoppel Certificate to
Wells Fargo Bank, National Association, in its Capacity as
Trustee for the Nomura CRE CDO Grantor Trust, Series 2007-2,
Wailua, Kauai, Tax Map Keys: (4) 3-9-6:16 and 20.

APPLICANT:

Anekona Aloha Ownership LLC, as Assignor, to Aloha Beach Resort -
Nomura CDO, LLC, whose business and mailing address is 5221 N.
O'Connor Blvd., Suite 600, Irving, Texas 75039, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Wailua, Kauai, identified
by Tax Map Keys: (4) 3-9-6:16 and 20, as shown on the attached
map labeled Exhibit A.

AREA:

General Lease No. S-3831	2.497 acres, more or less.
General Lease No. S-3840	6.093 acres, more or less.
General Lease No. S-4647	1.770 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: YES _____ NO _____x

CHARACTER OF USE:

General Lease No. S-3831	Resort-hotel purposes.
General Lease No. S-3840	Resort-hotel purposes.
General Lease No. S-4647	Parking and landscaping purposes.

TERM OF LEASE:

General Lease No. S-3831 65 years, commencing on May 18, 1964 and expiring on May 17, 2029. Last rental reopening occurred on May 18, 1999; next rental reopening is scheduled for May 18, 2009.

General Lease No. S-3840 65 years, commencing on July 6, 1964 and expiring on July 5, 2029. Last rental reopening occurred on July 6, 1999; next rental reopening is scheduled for July 6, 2009.

General Lease No. S-4647 49 years, 1 month and 21 days, commencing on May 16, 1980 and expiring on July 5, 2029. Last rental reopening occurred on May 16, 2000; next rental reopening is scheduled for May 16, 2010.

ANNUAL RENTAL:

General Lease No. S-3831	\$55,870/annum.
General Lease No. S-3840	\$136,790/annum.
General Lease No. S-4647	\$10,880/annum.

CONSIDERATION:

\$10.00 Lender's covenant not to seek a monetary deficiency judgment against Assignor or Guarantor on account of the loan held by the Lender, subject to certain reserved rights against Assignor and Guarantor under the loan guarantees and other agreements.

RECOMMENDED PREMIUM:

Not applicable. (Refer to Exhibit B attached.)

DCCA VERIFICATION:

ASSIGNOR:

Place of business registration confirmed:	YES <u>x</u>	NO <u> </u>
Registered business name confirmed:	YES <u>x</u>	NO <u> </u>
Good standing confirmed:	YES <u> </u>	NO <u>x</u>

ASSIGNEE:

Place of business registration confirmed:	YES <u> </u>	NO <u>x</u>
Registered business name confirmed:	YES <u> </u>	NO <u>x</u>
Good standing confirmed:	YES <u> </u>	NO <u>x</u>

REMARKS:

On the State property is a 216-room hotel located along Kuhio Highway in Kapaa, Kauai. The hotel was originally constructed in the 1960's and was previously known as the Kauai Beach resort. Now known as the Aloha Beach Kauai Hotel.

Currently, the State tenant is facing foreclosure auction by the Lender - Wells Fargo Bank. Mr. Brian Anderson of Anekona Aloha Ownership LLC has agreed to the assignment in lieu of foreclosure. A foreclosure action of the hotel is scheduled for March 31, 2009.

The Lessee is in compliance with all lease terms and conditions.

	Rent?	Insurance?	Bond?
GL #3831	Paid to 5/17/2009	Expires on 7/19/2009	Expires on 4/26/2009
GL #3840	Paid to 4/5/2009	Expires on 7/19/2009	Expires on 4/26/2009
GL #4647	Paid to 5/15/2009	Expires on 7/19/2009	Expires on 4/26/2009

Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The estoppel is needed by the Lender to ensure that the State lease is in compliance.

RECOMMENDATION: That the Board

- A. Consent to the assignment of General Lease Nos. S-3831, S-3840, S-4647 from Anekona Aloha Ownership LLC, Assignor, to Aloha Beach Resort - Nomura CDO, LLC, as Assignee, subject to the following:
 1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
 2. Review and approval by the Department of the Attorney General; and
 3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
- B. Consent to the issuance of an estoppel certificate to Wells Fargo Bank, National Association, in its Capacity as Trustee for the Nomura CRE CDO Grantor Trust, Series 2007-2, subject to the following:
 1. The standard terms and conditions of the most current estoppel certificate form, as may be amended from time to time;

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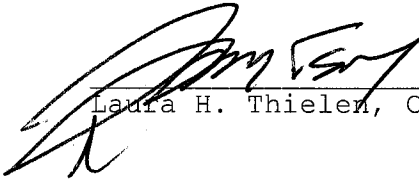
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Charlene E. Unoki
Assistant Administrator

APPROVED FOR SUBMITTAL:



Laura H. Thielen, Chairperson



TMK: (4) 3-9-06: 16 and 20

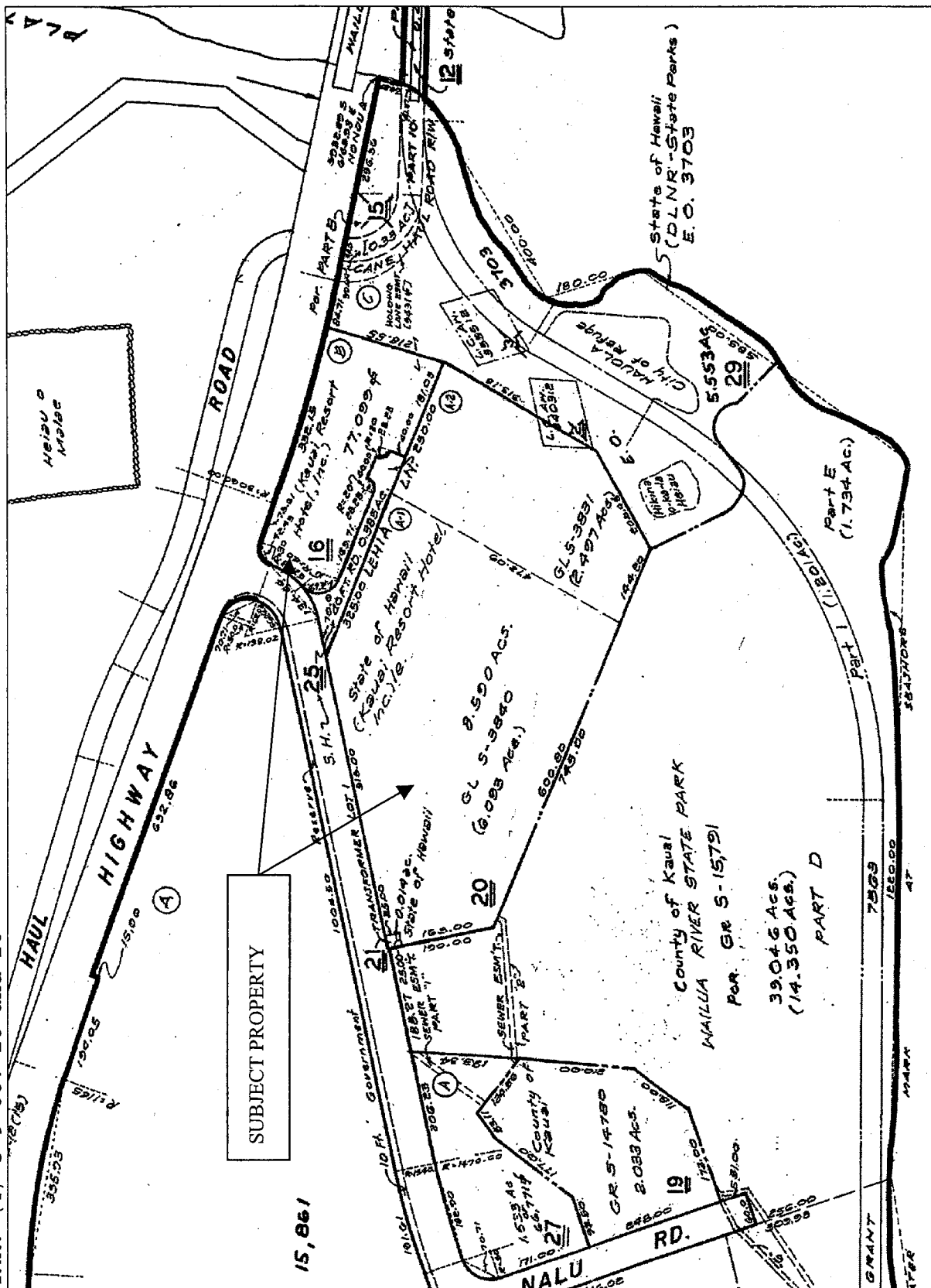
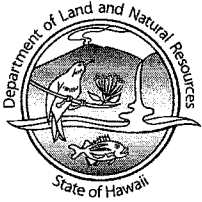


EXHIBIT "A"



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

March 3, 2009

MEMORANDUM

TO: Laura H. Thielen, Chairperson

THROUGH: *for* Morris M. Atta, Land Division Administrator *Chaudhry E. Urota*

FROM: Cyrus C. Chen, Real Estate Appraisal Manager *Cyrus Chen*

SUBJECT: In-House Valuation Recommendation – Assignment of Lease Calculation

GL No.:	S-3831, S-3840 & S-4647
Lessee/Assignor:	Anekona Aloha Ownership, LLC
Assignee:	Aloha Beach Resort-Nomura CDO, LLC
Location:	Wailua, Kauai, HI
Land Area:	2.497 ac, 6.093 ac & 1.77 ac, respectively
Tax Map Key:	(4) 3-9-6: 16 & 20
Char. of Use:	Hotel, resort, parking & landscaping

We have been requested to provide an in-house evaluation of the assignment premium due to the State for an assignment of GL S-3831, S3840 and S-4647 due to foreclosure proceedings of the Aloha Beach Kauai Hotel. A review of the lease documents revealed no assignment of lease premium provision. Therefore, we conclude an assignment premium of \$0 due for the above three referenced general leases.

Approved/Disapproved:

[Signature]
Laura H. Thielen, Chairperson

3/5/09
Date

cc: District Branch Files
Central Files

EXHIBIT "B"

LAND COURT SYSTEM

REGULAR SYSTEM

Return by Mail ☐ Pickup ☐ To:

Ronald H.W. Lum, Jr.
Goodsill Anderson Quinn & Stifel
1099 Alakea Street 18th Floor
Honolulu, Hawaii 96813

Total Pages: _____

Tax Map Key Nos. (4) 3-9-6: 16 and 20

ESTOPPEL CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

That, as of this ____ day of _____, 2009, the STATE OF HAWAII, by its Board of Land and Natural Resources, hereinafter referred to as the "Lessor," certifies to WELLS FARGO BANK, NATIONAL ASSOCIATION, IN ITS CAPACITY AS TRUSTEE FOR THE NOMURA CRE CDO GRANTOR TRUST, SERIES 2007-2, whose address is c/o Centerline Servicing, Inc., 5221 N. O'Connor Blvd., Suite 600, Irving, Texas 75039, that to the best of Lessor's knowledge:

(1) The Lessor has leased to ANEKONA ALOHA OWNERSHIP LLC, a Delaware limited liability company, hereinafter "Lessee," the premises described in:

(a) unrecorded General Lease No. S-3831 dated May 18, 1964, leased to William A. Cook, husband of Frances G. Cook,

(b) unrecorded General Lease No. S-3840 dated July 6, 1964, leased to William A. Cook Hawaii, Inc., a Hawaii corporation, and

(c) unrecorded General Lease No. S-4647 dated August 26, 1980, leased to Kauai Resort Hotel, Inc., a Hawaii corporation,

to which said general leases were assigned by mesne assignment to Anekona Aloha Ownership LLC, a Delaware limited liability company, by that certain Limited Warranty Assignment of Leases dated April 28, 2006, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2006-080143, consent thereto given by the Lessor by instrument executed April 17, 2006, recorded as aforesaid as Document No. 2006-080144;

(2) As far as Lessor is aware, the Lessee is not in default in any respect as of this date nor has any event occurred which with the passage of time or the giving of notice would constitute a default;

(3) There are no claims for damages, rents due, or other liability which Lessor is aware of against Lessee arising out of General Lease Nos. S-3831, S-3840 and S-4647 or performance of the terms, covenants or conditions of the leases; and

(4) General Lease Nos. S-3831, S-3840 and S-4647 are in full force and effect and have not been modified, supplemented, extended or amended as of this date.

IN WITNESS WHEREOF, the STATE OF HAWAII, by its Chairperson of the Board of Land and Natural Resources, has caused the seal of the Department of Land and Natural Resources to be hereunto affixed and have caused these presents to be executed the day, month and year first above written.

STATE OF HAWAII

By _____
Chairperson
Board of Land and
Natural Resources

APPROVED AS TO FORM:

Deputy Attorney General

Dated: _____